

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Grant Township, Michigan	County Keweenaw
Fiscal Year End March 31, 2006	Opinion Date June 22, 2006	Date Audit Report Submitted to State July 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☐ ☒ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☐ ☒ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Jackie A. Aalto, CPA	Telephone Number (906) 337-2727		
Street Address 116 Fifth Street	City Calumet	State MI	Zip 49913
Authorizing CPA Signature <i>Jackie A. Aalto, CPA</i>	Printed Name Jackie A. Aalto	License Number 1101022394	

**GRANT TOWNSHIP, MICHIGAN**  
**Keweenaw County**

**FINANCIAL REPORT**

**Year ended March 31, 2006**

**GRANT TOWNSHIP, MICHIGAN**  
**FINANCIAL REPORT**  
**Year ended March 31, 2006**

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## INDEPENDENT AUDITOR'S REPORT

To the Board Members  
Grant Township, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant Township, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grant Township, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1C, Grant Township, Michigan prepares its governmental activities in the government-wide financial statements and its governmental fund financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above do not include the Volunteer Firemen's Fund which should be included in order to conform to accounting principles generally accepted in the United States of America. The amounts that should be recorded are not known.

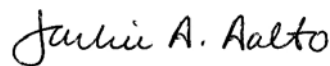
In my opinion, except for the effects on the financial statements of the item described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major governmental fund and the aggregate remaining fund information of Grant Township, Michigan, as of and for the year ended March 31, 2006 and the respective changes in financial position – modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1C.

In addition, in my opinion, the financial statements referred to above presently fairly, in all material respects, the respective financial position of the business-type activities and each major proprietary fund of Grant Township, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 22, 2006, on my consideration of Grant Township, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 10 and 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant Township, Michigan's basic financial statements. The accompanying other supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Jackie A. Aalto, CPA

June 22, 2006

## GRANT TOWNSHIP, MICHIGAN

### Management's Discussion and Analysis

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The management of Grant Township, Michigan ("the Township") offers readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

#### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of this fiscal year by \$4,505,743 (net assets). Governmental activities represented \$1,754,180 of this total, while business-type activities accounted for \$2,751,563 of this total.
- The Township's total net assets increased by \$669,590. Approximately sixty-eight percent of this increase is attributed to a grant from the Michigan Natural Resources Trust Fund for the purchase of land.
- The Township's total debt increased by a net amount of \$86,058 during the current fiscal year. The key factor in this increase was the issuance of \$174,000 in notes for the purchase of a fire truck. This was offset by \$87,942 in principal repayments during the year.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other

functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, and parks and recreation. The business-type activities of the Township include the operations of the water and sewer systems.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also a legally separate Downtown Development Authority for which the Township is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Grant Fund, both of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 - 15 of this report.

**Proprietary funds.** The Township maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses the enterprise fund to account for the operations of its water and sewer systems.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, both of which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 16 - 19 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 31 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that explains and supports the information presented in the financial statements. This information can be found on page 33 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 35 and 36 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceed liabilities by \$4,505,743 at the close of the most recent fiscal year.

A large portion of the Township's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and the water and sewer systems); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

### Grant Township, Michigan's Net Assets (in thousands of dollars)

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 434.9	\$ 279.2	\$ 714.1
Capital assets	<u>1,687.3</u>	<u>2,591.8</u>	<u>4,279.1</u>
Total Assets	<u>2,122.2</u>	<u>2,871.0</u>	<u>4,993.2</u>



Long-term liabilities outstanding	357.1	112.0	469.1
Other liabilities	<u>10.9</u>	<u>7.4</u>	<u>18.3</u>
Total Liabilities	<u>368.0</u>	<u>119.4</u>	<u>487.4</u>
Net Assets:			
Invested in capital assets, net of related debt	1,330.2	2,479.8	3,810.0
Restricted	91.2	22.2	113.4
Unrestricted	<u>332.8</u>	<u>249.6</u>	<u>582.4</u>
Total Net Assets	<u>\$ 1,754.2</u>	<u>\$ 2,751.6</u>	<u>\$ 4,505.8</u>

An additional portion of the Township's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (13% or \$582,329) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Township's net assets have increased by \$669,590 during the current fiscal year. Governmental activities increased the Township's net assets by \$692,654. Business-type activities decreased the Township's net assets by \$23,064. This decrease is the result of depreciation expense of \$74,116. Key elements are as follows:

**Grant Township, Michigan's Changes in Net Assets**  
(in thousands of dollars)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 26.8	\$ 137.4	\$ 164.2
Operating grants & contributions	14.7		14.7
Capital grants & contributions	615.9	10.0	625.9
General revenues:			
Property taxes	258.7		258.7
State-shared revenues	11.7		11.7
Other	<u>13.9</u>	<u>13.6</u>	<u>27.5</u>
Total Revenues	<u>941.7</u>	<u>161.0</u>	<u>1,102.7</u>
Expenses:			
General government	91.5		91.5
Public safety	64.2		64.2
Public works	73.2		73.2
Parks & recreation	8.1		8.1
Interest on long-term debt	12.0		12.0
Water system		62.5	62.5
Sewer system		<u>121.6</u>	<u>121.6</u>
Total Expenses	<u>249.0</u>	<u>184.1</u>	<u>433.1</u>
Change in net assets	692.7	(23.1)	669.6
Net Assets – Beginning	<u>1,061.5</u>	<u>2,774.7</u>	<u>3,836.2</u>
Net Assets – Ending	<u>\$ 1,754.2</u>	<u>\$ 2,751.6</u>	<u>\$ 4,505.8</u>

## **Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$421,523. Approximately 78% of this total amount (\$330,315) constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, the fund balance of the General Fund was \$326,850, all of which was unreserved and undesignated. As a measure of the General Fund's liquidity, it may be useful to compare the total unreserved fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 68% of total General Fund expenditures.

The fund balance of the Township's General Fund has decreased by \$194,856 during the current fiscal year. This decrease was primarily caused by a \$204,160 transfer to the Grant Fund for the Township's share of land purchased at Hunter's Point.

**Proprietary funds.** The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets at the end of the year amounted to \$2,751,563. Of this amount, \$2,479,799 was invested in capital assets, net of related debt. \$22,222 was restricted for debt service and \$249,542 was unrestricted.

### **General Fund Budgetary Highlights**

During the year there was a \$240,536 increase in total appropriations between the original and final amended budget. Following are the main components of the increase:

- \$37,131 supplemental appropriation for debt service for the additional principal payment on the bank loan for the fire hall.
- \$196,063 supplemental appropriation for the transfer to the Grant Fund for the purchase of Hunter's Point land.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2006, amounts to \$4,279,122 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and the water and sewer systems. The more significant capital asset purchases during the current year included \$722,324 for land and \$242,090 for a fire truck.

**Grant Township, Michigan's Capital Assets**  
(net of depreciation)  
(in thousands of dollars)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 780.9	\$ 69.8	\$ 850.7
Buildings & site improvements	57.7		57.7
Machinery, equipment & furnishings	848.7	5.4	854.1
Water system		553.5	553.5
Sewer system		<u>1,963.1</u>	<u>1,963.1</u>
Total Assets	<u>\$ 1,687.3</u>	<u>\$ 2,591.8</u>	<u>\$ 4,279.1</u>

Additional information on the Township's capital assets can be found in note 4 on page 27 of this report.

**Long-term debt.** At the end of the current fiscal year, the Township had total debt of \$469,138. Of this amount \$357,138 comprises debt backed by the full faith and credit of the government. \$112,000 of the Township's debt represents bonds secured solely by the specified revenue sources (i.e. revenue bonds).

**Grant Township's Outstanding Debt**  
General Obligation and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Loan	\$ 18,138	\$	\$ 18,138
Notes	339,000		339,000
Revenue bonds		<u>112,000</u>	<u>112,000</u>
Total	<u>\$ 357,138</u>	<u>\$ 112,000</u>	<u>\$ 469,138</u>

The Township's total debt has increased by \$86,058 during the current year.

Additional information on the Township's long-term debt can be found in note 6 on page 30 of this report.

**Request for Information**

This financial report is intended to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Grant Township, PO Box 76, Copper Harbor, Michigan 49918.

# GRANT TOWNSHIP, MICHIGAN

## Statement of Net Assets – Modified Cash Basis

**March 31, 2006**

	Primary Government			Component Unit
	Governmental	Business-type		
	Activities	Activities	Total	DDA
<b>Assets</b>				
Cash	\$ 308,642	\$ 40,359	\$ 349,001	\$ 14,349
Investments	104,812	189,797	294,609	
Receivables, net	18,937	14,264	33,201	
Due from primary government				10,000
Prepaid items		10,680	10,680	
Deferred charges	2,472		2,472	
Restricted investments		24,089	24,089	
Capital assets not being depreciated	780,890	69,828	850,718	
Capital assets, net of accumulated depreciation	<u>906,433</u>	<u>2,521,971</u>	<u>3,428,404</u>	<u>277,809</u>
Total Assets	<u>2,122,186</u>	<u>2,870,988</u>	<u>4,993,174</u>	<u>302,158</u>
<b>Liabilities</b>				
Accounts payable & other current liabilities	868	5,558	6,426	
Accrued interest payable		1,867	1,867	
Due to component unit	10,000		10,000	
Noncurrent liabilities:				
Due within one year	36,138	5,000	41,138	10,000
Due in more than one year	<u>321,000</u>	<u>107,000</u>	<u>428,000</u>	<u>230,000</u>
Total Liabilities	<u>368,006</u>	<u>119,425</u>	<u>487,431</u>	<u>240,000</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,330,185	2,479,799	3,809,984	37,809
Restricted for:				
Public safety	88,773		88,773	
Perpetual care - nonexpendable	2,435		2,435	
Debt service		22,222	22,222	
Unrestricted	<u>332,787</u>	<u>249,542</u>	<u>582,329</u>	<u>24,349</u>
Total Net Assets	<u>\$ 1,754,180</u>	<u>\$ 2,751,563</u>	<u>\$ 4,505,743</u>	<u>\$ 62,158</u>

The notes to the financial statements are an integral part of this statement.

# GRANT TOWNSHIP, MICHIGAN

## Statement of Activities – Modified Cash Basis

Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	DDA
<b>Primary Government:</b>								
Governmental Activities								
General government	\$ 91,432	\$ 2,895	\$ 7,000	\$	\$ (81,537)	\$	\$ (81,537)	\$
Public safety	64,241		2,063	155,832	93,654		93,654	
Public works	73,178	23,910	5,604		(43,664)		(43,664)	
Parks & recreation	8,135			460,022	451,887		451,887	
Interest on long-term debt	12,025				(12,025)		(12,025)	
Total Governmental Activities	249,011	26,805	14,667	615,854	408,315		408,315	
Business-type Activities								
Water	62,528	44,340		10,034		(8,154)	(8,154)	
Sewer	121,641	93,106				(28,535)	(28,535)	
Total Business-type Activities	184,169	137,446		10,034		(36,689)	(36,689)	
Total Primary Government	\$ 433,180	\$ 164,251	\$ 14,667	\$ 625,888	408,315	(36,689)	371,626	
<b>Component Unit:</b>								
DDA	\$ 19,411	\$ 1,246	\$	\$				(18,165)
General Revenues:								
Property taxes					258,738		258,738	46,566
State-shared revenues					11,696		11,696	
Unrestricted investment earnings					1,788	2,650	4,438	51
Other					2,117	10,975	13,092	
Transfers with component unit					10,000		10,000	(10,000)
Total General Revenues and Transfers					284,339	13,625	297,964	36,617
Change in Net Assets					692,654	(23,064)	669,590	18,452
Net Assets – Beginning					1,061,526	2,774,627	3,836,153	43,706
Net Assets – Ending					\$ 1,754,180	\$ 2,751,563	\$ 4,505,743	\$ 62,158

The notes to the financial statements are an integral part of this statement.

# GRANT TOWNSHIP, MICHIGAN

## Balance Sheet – Modified Cash Basis Governmental Funds March 31, 2006

	General Fund	Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 218,431	\$ 2,035	\$ 88,176	\$ 308,642
Investments	102,377		2,435	104,812
Intergovernmental receivable	14,392		4,545	18,937
Due from other funds	<u>2,518</u>			<u>2,518</u>
Total Assets	<u>\$ 337,718</u>	<u>\$ 2,035</u>	<u>\$ 95,156</u>	<u>\$ 434,909</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Intergovernmental payable	\$ 868	\$	\$	\$ 868
Due to other funds		1,930	588	2,518
Due to component unit	<u>10,000</u>			<u>10,000</u>
Total Liabilities	<u>10,868</u>	<u>1,930</u>	<u>588</u>	<u>13,386</u>
<b>Fund Balances</b>				
Reserved for:				
Public safety			88,773	88,773
Perpetual care			2,435	2,435
Unreserved, undesignated reported in:				
General Fund	326,850			326,850
Special Revenue Funds		<u>105</u>	<u>3,360</u>	<u>3,465</u>
Total Fund Balances	<u>326,850</u>	<u>105</u>	<u>94,568</u>	421,523
Total Liabilities and Fund Balances	<u>\$ 337,718</u>	<u>\$ 2,035</u>	<u>\$ 95,156</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,687,323
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds, less deferred charge for issuance costs.	<u>(354,666)</u>

Net assets of governmental activities	<u>\$1,754,180</u>
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The notes to the financial statements are an integral part of this statement.

# GRANT TOWNSHIP, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis Governmental Funds Year Ended March 31, 2006

	General Fund	Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 197,751	\$	\$ 60,987	\$ 258,738
Intergovernmental:				
Federal		36,000	30,210	66,210
State	17,300	460,022	2,063	479,385
Charges for services	26,355			26,355
Interest & rents	1,618		170	1,788
Other	29,154	10,000	1,955	41,109
<b>Total Revenues</b>	<u>272,178</u>	<u>506,022</u>	<u>95,385</u>	<u>873,585</u>
<b>Expenditures</b>				
Current				
General government	74,772			74,772
Public safety	8,767		33,601	42,368
Public works	73,178			73,178
Parks & recreation	7,396			7,396
Other	13,207			13,207
Debt service				
Principal	82,942			82,942
Interest	12,025			12,025
Bond issuance costs		2,500		2,500
Capital outlay	6,065	906,333	32,548	944,946
<b>Total Expenditures</b>	<u>278,352</u>	<u>908,833</u>	<u>66,149</u>	<u>1,253,334</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(6,174)</u>	<u>(402,811)</u>	<u>29,236</u>	<u>(379,749)</u>
<b>Other Financing Sources (Uses):</b>				
Note proceeds		174,000		174,000
Transfers in	15,478	229,289		244,767
Transfers out	(204,160)	(478)	(30,129)	(234,767)
<b>Total Other Financing Sources (Uses)</b>	<u>(188,682)</u>	<u>402,811</u>	<u>(30,129)</u>	<u>184,000</u>
<b>Net Change in Fund Balances</b>	(194,856)		(893)	(195,749)
<b>Fund Balances – Beginning</b>	<u>521,706</u>	<u>105</u>	<u>95,461</u>	
<b>Fund Balances – Ending</b>	<u>\$ 326,850</u>	<u>\$ 105</u>	<u>\$ 94,568</u>	

# GRANT TOWNSHIP, MICHIGAN

## Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis (Continued)

### Governmental Funds Year Ended March 31, 2006

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.				918,909
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.				58,080
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, when debt is first issued, whereas this amount is deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.				(88,558)
Amortization of issuance costs reported in the statement of activities do not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.				<u>(28)</u>
Change in Net Assets of Governmental Activities				<u>\$ 692,654</u>

The notes to the financial statements are an integral part of this statement.



**GRANT TOWNSHIP, MICHIGAN****Statement of Net Assets  
Proprietary Funds  
March 31, 2006**

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>Assets</b>			
Current Assets:			
Cash	\$ 8,981	\$ 31,378	\$ 40,359
Investments	73,000	116,797	189,797
Accounts receivable, net	3,337	9,676	13,013
Interest receivable	681	570	1,251
Prepaid items	<u>4,477</u>	<u>6,203</u>	<u>10,680</u>
Total Current Assets	<u>90,476</u>	<u>164,624</u>	<u>255,100</u>
Noncurrent Assets:			
Restricted investments	24,089		24,089
Capital assets, net	<u>624,769</u>	<u>1,967,030</u>	<u>2,591,799</u>
Total Noncurrent Assets	<u>648,858</u>	<u>1,967,030</u>	<u>2,615,888</u>
Total Assets	<u>739,334</u>	<u>2,131,654</u>	<u>2,870,988</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	1,165	1,759	2,924
Accrued liabilities	876	1,758	2,634
Accrued interest payable	1,867		1,867
Revenue bonds payable - current	<u>5,000</u>	<u>          </u>	<u>5,000</u>
Total Current Liabilities	8,908	3,517	12,425
Noncurrent Liabilities:			
Revenue bonds payable	<u>107,000</u>	<u>          </u>	<u>107,000</u>
Total Liabilities	<u>115,908</u>	<u>3,517</u>	<u>119,425</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	512,769	1,967,030	2,479,799
Restricted for debt service	22,222		22,222
Unrestricted	<u>88,435</u>	<u>161,107</u>	<u>249,542</u>
Total Net Assets	<u>\$ 623,426</u>	<u>\$ 2,128,137</u>	<u>\$ 2,751,563</u>

The notes to the financial statements are an integral part of this statement.

**GRANT TOWNSHIP, MICHIGAN**

**Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
Year Ended March 31, 2006**

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Water fees	\$ 44,340	\$	\$ 44,340
Sewer fees		93,106	93,106
Total Operating Revenues	44,340	93,106	137,446
<b>Operating Expenses</b>			
Administration	5,559	6,679	12,238
Personal services	10,922	27,060	37,982
Repairs & maintenance	13,206	9,675	22,881
Operating expenses	6,600	24,585	31,185
Depreciation	20,474	53,642	74,116
Total Operating Expenses	56,761	121,641	178,402
Operating Income (Loss)	(12,421)	(28,535)	(40,956)
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	1,551	1,099	2,650
Interest expense	(5,767)		(5,767)
Total Nonoperating Revenues (Expenses)	(4,216)	1,099	(3,117)
<b>Capital Contributions</b>			
Hookup fees & other	10,034	10,975	21,009
<b>Change in Net Assets</b>	(6,603)	(16,461)	(23,064)
<b>Net Assets – Beginning</b>	630,029	2,144,598	2,774,627
<b>Net Assets – Ending</b>	\$ 623,426	\$ 2,128,137	\$ 2,751,563

The notes to the financial statements are an integral part of this statement.

# GRANT TOWNSHIP, MICHIGAN

## Statement of Cash Flows Proprietary Funds Year Ended March 31, 2006

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 46,141	\$ 91,913	\$ 138,054
Payments to suppliers	(24,514)	(41,342)	(65,856)
Payments to employees	<u>(10,783)</u>	<u>(26,957)</u>	<u>(37,740)</u>
Net cash provided by operating activities	<u>10,844</u>	<u>23,614</u>	<u>34,458</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Capital contributions	10,034	10,975	21,009
Purchases of capital assets	(20,067)		(20,067)
Principal paid on capital debt	(5,000)		(5,000)
Interest paid on capital debt	<u>(5,850)</u>	<u>          </u>	<u>(5,850)</u>
Net cash provided (used) by capital and related financing activities	<u>(20,883)</u>	<u>10,975</u>	<u>(9,908)</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from maturities of investments	3,113	4,152	7,265
Purchase of investments	(73,000)	(116,797)	(189,797)
Interest received	<u>219</u>	<u>529</u>	<u>748</u>
Net cash used by investing activities	<u>(69,668)</u>	<u>(112,116)</u>	<u>(181,784)</u>
Net decrease in cash	(79,707)	(77,527)	(157,234)
<b>Cash – Beginning</b>	<u>88,688</u>	<u>108,905</u>	<u>197,593</u>
<b>Cash – Ending</b>	<u>\$ 8,981</u>	<u>\$ 31,378</u>	<u>\$ 40,359</u>

**GRANT TOWNSHIP, MICHIGAN**

**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**Year Ended March 31, 2006**

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	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (12,421)	\$ (28,535)	\$ (40,956)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	20,474	53,642	74,116
(Increase) decrease in receivables, net	1,801	(1,193)	608
(Increase) decrease in prepaid items	77	76	153
Increase (decrease) in accounts payable	774	(479)	295
Increase (decrease) in accrued expenses	<u>139</u>	<u>103</u>	<u>242</u>
Net cash provided by operating activities	<u>\$ 10,844</u>	<u>\$ 23,614</u>	<u>\$ 34,458</u>

Noncash investing activities:

Interest income of \$671 was added directly to the certificates of deposit in the Water Fund.

The notes to the financial statements are an integral part of this statement.

**GRANT TOWNSHIP, MICHIGAN**

**Statement of Net Assets – Modified Cash Basis  
Fiduciary Funds  
March 31, 2006**

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash	<u>\$ 62,059</u>
<b>Liabilities</b>	
Intergovernmental payable	<u>\$ 62,059</u>

The notes to the financial statements are an integral part of this statement.

# GRANT TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2006

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### Note 1 Summary of Significant Accounting Policies

#### A. Reporting Entity

Grant Township, Michigan was organized on August 1, 1861 and is located in Keweenaw County, Michigan. It covers an area of approximately 119 square miles. The Township is governed by an elected board of trustees consisting of five members, which are a supervisor, clerk, treasurer and two trustees. It also has one constable. Services provided to the residents of the Township include fire protection, a water supply system, a sewer system, recreation and community enrichment. The accompanying financial statements present the government and its component unit, an entity for which government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

**Discretely present component unit.** The Downtown Development Authority (DDA) was established by the Township under provisions of Act 197, P.A. of 1975 as amended (MCL 125.1651). It is governed by a nine member board appointed by the Township's governing board. The DDA adopted a development and tax increment financing plan to provide tax increment revenues to pay the principal and interest on bonds issued by the Township for improvements within the DDA District. Complete financial statements for the DDA may be obtained at the entity's administrative office.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# GRANT TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2006

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Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus. The modified cash basis of accounting is used to report the governmental activities. The accrual basis of accounting is used to report the business-like activities and the proprietary fund financial statements. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

If the Township utilized the basis of accounting recognized as generally accepted, the governmental funds financial statements would use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Grant Fund* accounts for revenues and expenditures of different grants received by the Township.

# GRANT TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2006

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The Township reports the following major proprietary funds:

The *Water Fund* accounts for the activity of the Township's water system.

The *Sewer Fund* accounts for the activity of the Township's sewer system.

Additionally, the Township reports the following nonmajor governmental funds: Fire Millage, Fire Grant, Liquor and Cemetery Perpetual Care.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Township has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are charges to customers for services. Operating expenses for the enterprise fund includes cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits** – Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Township did not have any short-term investments at March 31, 2006.



# GRANT TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2006

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**Investments** – Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

**Receivables and Payables** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

When applicable, all trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on December 1<sup>st</sup> and are payable by February 14 of each year, at which time all unpaid taxes become delinquent. Delinquent real property taxes are collected by the County. Delinquent personal property taxes continue to be collected by the Township.

The 2005 taxable valuation of the Township totaled \$37,331,846, of which ad valorem taxes levied consisted of 2.0611 mills for operating purposes, 3.9248 mills in extra voted and 1.9624 mills for fire operating, resulting in \$76,945, \$146,520 and \$73,260, respectively. These amounts are recognized in the General Fund financial statements.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** – Certain proceeds of the Township’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

**Capital Assets** – Capital assets, which include property, plant, equipment, and the water and sewer systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

# GRANT TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2006

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Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction. The total interest expense incurred by the business-type activities of the Township was \$5,767, all of which was expensed.

Property, plant, equipment and the water and sewer systems of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 to 50 years
Site Improvements	10 to 20 years
Water System	40 to 60 years
Sewer System	40 to 60 years
Equipment & Furnishings	7 to 15 years

**Long-Term Obligations** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# **GRANT TOWNSHIP, MICHIGAN**

## **Notes to Financial Statements**

**March 31, 2006**

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### **Note 2 Stewardship, Compliance and Accountability**

#### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with the financial statement presentation used to reflect actual revenue and expenditures. Annual budgets are adopted for all governmental funds except the Grant and Fire Grant special revenue funds which adopt project-length budgets and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. Encumbrance accounting is not employed in the governmental funds.

#### **B. Excess of Expenditures over Appropriations**

For the year ended March 31, 2006, expenditures exceeded appropriations in the Fire Millage Fund by \$12,634. These overexpenditures were funded by revenues and fund balance.

### **Note 3 Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated four banks for the deposit of Township funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

# GRANT TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
Cash	\$ 308,642	\$ 40,359	\$ 349,001	\$ 14,349
Investments	104,812	189,797	294,609	
Restricted investments	<u>                    </u>	<u>24,089</u>	<u>24,089</u>	<u>                    </u>
Total	<u>\$ 413,454</u>	<u>\$ 254,245</u>	<u>\$ 667,699</u>	<u>\$ 14,349</u>

The bank balance of the primary government's deposits is \$786,172, of which \$417,725 is covered by federal depository insurance and \$354,323 is uninsured. The bank balance of the component unit's deposit is \$14,124, all of which is covered by federal depository insurance.

### Note 4 Capital Assets

Capital asset activity for the year ended March 31, 2006 was as follows:

#### Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 58,566	\$ 722,324	\$ <u>          </u>	\$ 780,890
Capital assets being depreciated:				
Buildings & site improvements	128,878			128,878
Machinery, equipment & furnishings	<u>686,031</u>	<u>280,702</u>	<u>          </u>	<u>966,733</u>
Total capital assets being depreciated	<u>814,909</u>	<u>280,702</u>	<u>          </u>	<u>1,095,611</u>
Accumulated depreciation:				
Building & site improvements	(68,492)	(2,731)		(71,223)
Machinery, equipment & furnishings	<u>(94,649)</u>	<u>(23,306)</u>	<u>          </u>	<u>(117,955)</u>
Total accumulated depreciation	<u>(163,141)</u>	<u>(26,037)</u>	<u>          </u>	<u>(189,178)</u>
Total capital assets being depreciated, net	<u>651,768</u>	<u>254,665</u>	<u>          </u>	<u>906,433</u>
Governmental activities capital assets, net	<u>\$ 710,334</u>	<u>\$ 976,989</u>	<u>\$ <u>          </u></u>	<u>\$ 1,687,323</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 69,828	<u>          </u>	<u>          </u>	\$ 69,828

# GRANT TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2006

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities (continued)</b>				
Capital assets being depreciated:				
Water system	960,066	20,067		980,133
Sewer system	2,646,469			2,646,469
Machinery, equipment & furnishings	<u>25,915</u>	<u>          </u>	<u>          </u>	<u>25,915</u>
Total capital assets being depreciated	<u>3,632,450</u>	<u>20,067</u>	<u>          </u>	<u>3,652,517</u>
Accumulated depreciation:				
Water system	(407,228)	(19,402)		(426,630)
Sewer system	(630,500)	(52,930)		(683,430)
Machinery, equipment & furnishings	<u>(18,702)</u>	<u>(1,784)</u>	<u>          </u>	<u>(20,486)</u>
Total accumulated depreciation	<u>(1,056,430)</u>	<u>(74,116)</u>	<u>          </u>	<u>(1,130,546)</u>
Total capital assets being depreciated, net	<u>2,576,020</u>	<u>(54,049)</u>	<u>          </u>	<u>2,521,971</u>
Business-type activities capital assets, net	<u>\$ 2,645,848</u>	<u>\$ (54,049)</u>	<u>\$           </u>	<u>\$ 2,591,799</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,453
Public safety	21,845
Parks & recreation	<u>739</u>
Total depreciation expense – governmental activities	<u>\$ 26,037</u>
Business-type activities:	
Water system	\$ 20,474
Sewer system	<u>53,642</u>
Total depreciation expense – business type activities	<u>\$ 74,116</u>

### Discretely Presented Component Unit

Activity for the Downtown Development Authority (DDA) for the year ended March 31, 2006 was as follows:

# GRANT TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2006

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Buildings & improvements	\$ 280,408	\$ 7,023	\$	\$ 287,431
Machinery, equipment & furnishings		<u>1,534</u>		<u>1,534</u>
Total capital assets being depreciated	<u>280,408</u>	<u>8,557</u>		<u>288,965</u>
Accumulated depreciation:				
Building & improvements	(4,803)	(5,920)		(10,723)
Machinery, equipment & furnishing		<u>(433)</u>		<u>(433)</u>
Total accumulated depreciation	<u>(4,803)</u>	<u>(6,353)</u>		<u>(11,156)</u>
DDA capital assets, net	<u>\$ 275,605</u>	<u>\$ 2,204</u>	<u>\$</u>	<u>\$ 277,809</u>

### Note 5 Interfund Receivables, Payables and Transfers

The composition of interfund balances as of March 31, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds		
General	Grant	\$ 1,930
	Fire Millage	<u>588</u>
Total		<u>\$ 2,518</u>
<u>Receivable Entity</u>	<u>Payable Entity</u>	
Component Unit - DDA	Primary Government – General	<u>\$ 10,000</u>

In the year ended March 31, 2006, the Township made the following transfers:

	<u>Transfers (Out)</u>				
	<u>Primary Government</u>				
	<u>General</u>	<u>Grant</u>	<u>Nonmajor Governmental</u>	<u>Total</u>	<u>Component Unit</u>
Transfers In:					
Governmental Funds					
General	\$	\$ 478	\$ 5,000	\$ 5,478	\$ 10,000
Grant	<u>204,160</u>		<u>25,129</u>	<u>229,289</u>	
Total	<u>\$ 204,160</u>	<u>\$ 478</u>	<u>\$ 30,129</u>	<u>\$ 234,767</u>	<u>\$ 10,000</u>

# GRANT TOWNSHIP, MICHIGAN

## Notes to Financial Statements

March 31, 2006

### Note 6 Long-term Debt

The Township issues bonds to provide for capital acquisitions and construction. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements, loans and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term debt activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
Loans						
Bank – fire hall	6.12%	5-1-07	\$ 91,080	\$ (72,942)	\$ 18,138	\$ 18,138
Notes						
Rural Development – fire truck	4.25%	8-18-18	175,000	(10,000)	165,000	10,000
Rural Development – fire truck	4.25%	12-1-20	<u>          </u>	<u>174,000</u>	<u>174,000</u>	<u>8,000</u>
Total Governmental Activities			<u>\$ 266,080</u>	<u>\$ 91,058</u>	<u>\$ 357,138</u>	<u>\$ 36,138</u>
<b>Business-type Activities</b>						
Revenue bonds	5.00%	12-1-22	<u>\$ 117,000</u>	<u>\$ (5,000)</u>	<u>\$ 112,000</u>	<u>\$ 5,000</u>
<b>Component Unit</b>						
2003 Limited Tax General Obligation Bonds	3.50% & 4.60%	9-1-22	<u>\$ 245,000</u>	<u>\$ (5,000)</u>	<u>\$ 240,000</u>	<u>\$ 10,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 36,138	\$ 15,129	\$ 5,000	\$ 5,600	\$ 10,000	\$ 8,400
2008	18,500	13,430	5,000	5,350	10,000	8,050
2009	20,000	12,623	5,000	5,100	10,000	7,700
2010	20,500	11,773	5,000	4,850	10,000	7,350
2011	22,000	10,880	5,000	4,600	10,000	7,000
2012-2016	122,500	39,654	31,000	18,900	60,000	32,930
2017-2021	117,500	11,666	37,000	10,450	90,000	22,310
2022	<u>          </u>	<u>          </u>	<u>19,000</u>	<u>1,200</u>	<u>40,000</u>	<u>2,760</u>
	<u>\$ 357,138</u>	<u>\$ 115,155</u>	<u>\$ 112,000</u>	<u>\$ 56,050</u>	<u>\$ 240,000</u>	<u>\$ 96,500</u>

# **GRANT TOWNSHIP, MICHIGAN**

## **Notes to Financial Statements**

**March 31, 2006**

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### **Note 7 Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and employee injuries (workers' compensation). All risk of loss is covered by commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **Note 8 Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

### **Note 9 Employee Retirement Plan**

#### Plan Description

The Township participates in the Municipal Retirement Systems, Inc. Non-Standardized Money Purchase Pension Plan that is administered by the Municipal Retirement Systems, Inc. The Township has no fiduciary responsibility for the plan.

All full-time nonseasonal employees of the Township are eligible to participate in the plan except for employees covered by a collective bargaining agreement. As of March 31, 2006 the Township had five active covered employees. The annual covered payroll for 2005 totaled \$36,190 and the Township's total payroll for all employees was \$79,626.

Under the provisions of the plan, pension benefits vest 100% upon entering the plan. Distributions may be made at the participant's election on or after the anniversary date following termination of employment.

#### Contributions Required and Contributions Made

The Township and the employee are required to contribute 6.2% of the employee's annual compensation. During the fiscal year ended March 31, 2006 employer and employee contributions totaled \$5,382.



## **Required Supplementary Information**

**GRANT TOWNSHIP, MICHIGAN**

**Budgetary Comparison Schedule  
General Fund  
Year Ended March 31, 2006**

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	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Beginning of Year Fund Balance	\$ 521,706	\$ 521,706	\$ 521,706
Resources (Inflows):			
Taxes	201,571	201,571	197,751
Licenses & permits	550	550	
Intergovernmental – state	12,075	12,075	17,300
Charges for services	20,000	20,000	26,355
Interest & rents	800	800	1,618
Other	7,000	7,000	29,154
Transfers from other funds	<u>15,200</u>	<u>15,200</u>	<u>15,478</u>
Amounts Available for Appropriation	<u>778,902</u>	<u>778,902</u>	<u>809,362</u>
Charges to Appropriations (Outflows):			
General government	95,200	95,319	74,772
Public safety	5,750	8,800	8,767
Public works	71,000	73,389	73,178
Parks & recreation	11,000	11,000	7,396
Other	12,000	13,784	13,207
Debt service	57,926	95,057	94,967
Capital outlay	3,185	3,185	6,065
Transfers to other funds	<u>          </u>	<u>196,063</u>	<u>204,160</u>
Total Charges to Appropriations	<u>256,061</u>	<u>496,597</u>	<u>482,512</u>
Ending Budgetary Fund Balance	<u>\$ 522,841</u>	<u>\$ 282,305</u>	<u>\$ 326,850</u>

## **Other Supplementary Information**

**GRANT TOWNSHIP, MICHIGAN**

**Combining Balance Sheet – Modified Cash Basis  
Nonmajor Governmental Funds  
March 31, 2006**

	<u>Special Revenue Funds</u>				<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Fire Millage Fund</u>	<u>Fire Grant Fund</u>	<u>Liquor Fund</u>	<u>Total</u>	<u>Cemetery Perpetual Care Fund</u>	
<b>Assets</b>						
Cash	\$ 84,816	\$ 1,159	\$ 2,201	\$ 88,176	\$	\$ 88,176
Investments					2,435	2,435
Intergovernmental receivable	<u>4,545</u>			<u>4,545</u>		<u>4,545</u>
Total Assets	<u>\$ 89,361</u>	<u>\$ 1,159</u>	<u>\$ 2,201</u>	<u>\$ 92,721</u>	<u>\$ 2,435</u>	<u>\$ 95,156</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Due to other funds	<u>\$ 588</u>			<u>\$ 588</u>		<u>\$ 588</u>
<b>Fund Balances</b>						
Reserved for:						
Public safety	88,773			88,773		88,773
Perpetual care					2,435	2,435
Unreserved, undesignated		<u>1,159</u>	<u>2,201</u>	<u>3,360</u>		<u>3,360</u>
Total Fund Balances	<u>88,773</u>	<u>1,159</u>	<u>2,201</u>	<u>92,133</u>	<u>2,435</u>	<u>94,568</u>
Total Liabilities & Fund Balances	<u>\$ 89,361</u>	<u>\$ 1,159</u>	<u>\$ 2,201</u>	<u>\$ 92,721</u>	<u>\$ 2,435</u>	<u>\$ 95,156</u>

# GRANT TOWNSHIP, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis Nonmajor Governmental Funds Year Ended March 31, 2006

	<u>Special Revenue Funds</u>				<u>Permanent Fund</u>	Total
	<u>Fire Millage Fund</u>	<u>Fire Grant Fund</u>	<u>Liquor Fund</u>	<u>Total</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Nonmajor Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 60,987	\$	\$	\$ 60,987	\$	\$ 60,987
Intergovernmental:						
Federal		30,210		30,210		30,210
State			2,063	2,063		2,063
Interest & rents	166		4	170		170
Other		<u>1,905</u>		<u>1,905</u>	<u>50</u>	<u>1,955</u>
Total Revenues	<u>61,153</u>	<u>32,115</u>	<u>2,067</u>	<u>95,335</u>	<u>50</u>	<u>95,385</u>
<b>Expenditures</b>						
Current						
Public safety	32,675		926	33,601		33,601
Capital outlay	<u>1,592</u>	<u>30,956</u>		<u>32,548</u>		<u>32,548</u>
Total Expenditures	<u>34,267</u>	<u>30,956</u>	<u>926</u>	<u>66,149</u>		<u>66,149</u>
Excess of Revenues over Expenditures	26,886	1,159	1,141	29,186	50	29,236
Other Financing Sources (Uses):						
Transfers out	<u>(30,129)</u>			<u>(30,129)</u>		<u>(30,129)</u>
Net Change in Fund Balances	(3,243)	1,159	1,141	(943)	50	(893)
<b>Fund Balances – Beginning</b>	<u>92,016</u>		<u>1,060</u>	<u>93,076</u>	<u>2,385</u>	<u>95,461</u>
<b>Fund Balances - Ending</b>	<u>\$ 88,773</u>	<u>\$ 1,159</u>	<u>\$ 2,201</u>	<u>\$ 92,133</u>	<u>\$ 2,435</u>	<u>\$ 94,568</u>

**GRANT TOWNSHIP, MICHIGAN**

**Combining Statement of Net Assets – Modified Cash Basis  
Fiduciary Funds  
March 31, 2006**

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	<u>Agency Funds</u>		
	<u>Current Tax</u>	<u>Delinquent Tax</u>	
	<u>Account</u>	<u>Account</u>	<u>Total</u>
<b>Assets</b>			
Cash	<u>\$ 60,883</u>	<u>\$ 1,176</u>	<u>\$ 62,059</u>
<b>Liabilities</b>			
Intergovernmental payable	<u>\$ 60,883</u>	<u>\$ 1,176</u>	<u>\$ 62,059</u>

## **GRANT TOWNSHIP, MICHIGAN**

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board Members  
Grant Township, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Grant Township, Michigan, as of and for the year ended March 31, 2006, which collectively comprise Grant Township, Michigan's basic financial statements and have issued my report thereon dated June 22, 2006. The report was a special report on the Township's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United State of America, and was qualified because the basic financial statements do not include the Volunteer Firemen's Fund which should be included to conform to accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Grant Township, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Grant Township, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Following is a description of the reportable condition. Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

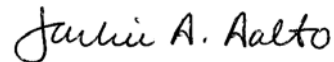
control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Grant Township, Michigan's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I reported to the management of the Grant Township, Michigan in a separate letter dated June 22, 2006.

This report is intended solely for the information and use of the board members, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

  
Jackie A. Aalto, CPA

Calumet, Michigan  
June 22, 2006



June 22, 2006

To the Board Members  
Grant Township, Michigan

In planning and performing my audit of the financial statements of Grant Township, Michigan for the year ended March 31, 2006, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. However, I noted a certain matter involving the internal control and its operation that I consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control that, in my judgment, could adversely affect the Grant Township, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

#### Reportable Condition

1. The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if it were large enough to provide optimum segregation of duties. This dictates that the Township Board remain involved in the financial affairs of the Township to provide oversight and independent review functions. This includes:
  - a. Implementing policies to ensure that receipts are issued for all monies received by the Township.
  - b. Separate the water billing and collection procedures.

#### Other Comments and Recommendations

2. P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the 3/31/06 fiscal year, the Township incurred expenditures which were in excess of the amounts appropriated by \$12,634 in the Fire Millage Fund. It is recommended that the Township Board fully comply with all provisions of the Act.
3. Some of the financial statements of the Township are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I recommend that the financial statements be prepared on the basis of accounting required by accounting principles generally accepted in the United States of America.
4. At March 31, 2006 the Township's primary government had \$786,172 in deposits, of which \$417,725 was uninsured. I recommend that the Township review its investment policy and procedures to determine if there could be alternative investment strategies that would yield higher investment returns and also allow for FDIC protection.
5. The Township operates two volunteer fire departments. Because the departments are not separate legal entities, I recommend that all of the financial activity of the fire departments be reported in the Township's financial statements under the Volunteer Firemen's Fund.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in my audit of the March 31, 2006 financial statements, and this report does not affect my report on those financial statements dated June 22, 2006. I have not considered the internal control since the date of my report.

This report is intended solely for the information and use of the council membership, management, federal and state awarding agencies, and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Jackie A. Aalto". The signature is written in a cursive, flowing style.

Jackie A. Aalto, CPA